# Better-Management Newsletter 15 April 2015

**Dodgy stats from China / Different financial realities / USA shale plays falling**

## Dodgy stats from China

We have various folk saying all will be well when the PBOC provides stimulus as instructed by the CCP. Then we get news of significant drops in volumes of exports and imports and use of energy and commodities. I am still making my mind up whether China will shrug off its troubles or settle into the mire with the rest of us?

This from Carl at Blackthread Group

"Since 2000, China's total debt has grown from $1 trillion to $27 trillion (up 2,600%) while its GDP gas gone from $1 trillion to $9 trillion. Local government debt has jumped 67% since 2010. Meanwhile, real estate prices are up 700% since 2000 and China is experiencing 30%-40% excess capacity in industries from cement to aluminum.

Meanwhile, China's once advantage of low manufacturing labor costs has evaporated. Mexico's manufacturing wages are now lower than Shenzhen, China and Vietnam and Bangladesh's wages are about half that of China.

And China's vaunted move to consumer-led economic growth is not going all that well either.

Unilever, the consumer multinational and maker of products Dove soap to Lipton tea, just reported that sales in China have plunged 20% in two consecutive quarters. "

## Different financial realities

I suppose it is what we believe it to be...

http://alt-market.com/articles/2563-one-last-look-at-the-real-economy-before-it-implodes-part-4

Negative interest rates are now becoming more fashionable...even affecting Germany...

http://www.mauldineconomics.com/connecting-the-dots/finding-yield-in-a-subzero-world

For the Greeks, reality may be defaulting and then learning to live within their means...from Seeking Alpha...

"**Greece is preparing to take** the dramatic step of declaring a debt default unless it can reach a deal with its international creditors by the end of April, *FT* reports. "We have come to the end of the road...If the Europeans won't release bailout cash, there is no alternative [to a default]," one government official said. Athens has also decided to withhold €2.5B of payments due to the IMF in May and June if an agreement is not struck.

For the USA, reality is having the world's reserve currency, so you can buy anything you want with money that flows from the printing press...from Seeking Alpha...

"**The U.S. ended the month of March** with a budget deficit of $53B, up 43% from the same period last year, bringing the current fiscal YTD deficit to $439B at the end of last month. Meanwhile, Fitch has affirmed the U.S.'s long-term default ratings at "AAA," citing the country's "unparalleled" financing flexibility as the issuer of the world's pre-eminent reserve currency and benchmark fixed-income asset. Fitch also expects the U.S. to grow 3% in 2015, before decelerating slightly in 2016."

How is that for two opposing views of reality...Greece versus USA. Both profligate spenders and both with high unemployment, and one of them simply shuts its eyes.

**USA shale plays falling**

The number of drilling rigs in USA is down now by more than 50% to just over 700 and despite the so-called "fracklog" of drilled wells awaiting completion, there is already a sign that tight, light oil production from the US shale plays is starting to fall. Of course, some wells will be brought in to avoid losing leases, but the trend in production is certain to be down....

http://seekingalpha.com/article/3068446-eias-april-drilling-productivity-report?source=email_macro_view_com_0_30&ifp=0

Henceforth any weakness in oil prices is likely to be caused by falling demand as the true global depression deepens slowly.

Now what I have been telling you is at last hitting the mainstream media...

http://www.dailyimpact.net/2015/04/14/forbes-shale-oil-boom-goes-bust/#more-2841

All the oil majors, be it Shell (now selling UK service stations along with those of New Zealand and Australia's) or the others face falling oil production rates and that is why BG was such an important buy for them...

http://seekingalpha.com/article/3064986-why-royal-dutch-shell-really-acquired-bg-group?source=email_alternative_energy_investing_maj_int_oil_gas_0_4&ifp=0

You may recall at the beginning of the 2014 there were cuts to development programmes and to dividends. The problem is that the major oil companies cannot afford to admit they are running sunset industries. But that is the reason why Exxon's share buy-back has been so aggressive.